



PKA A/S Tuborg Boulevard 3, 2900 Hellerup (medlemsservice) / Strandvejen 60, 2900 Hellerup (besøgsadresse) / Tlf. 39 45 45

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This is PKA

PKA Ltd. (in Danish: Pensionskassernes Administration A/S) is one of the largest administration companies for occupational pension funds in Denmark. All Danish pension funds are supervised by The Danish Financial Supervisory Authority, which attends to all financial regulation in Denmark.

The PKA Group was established and is owned by eight occupational pension funds with a total of 210,000 members, mainly employees in the public social and health sectors. Some 26,000 of these are pensioners.

PKA Ltd. makes investments on behalf of the individual pension fund based on the investment policy stipulated by the board of each one. At the end of 2006 the market value of the assets managed by PKA Ltd. was approximately DKK 114 billion. (€15.4 bn.)

The administration of the pension funds is handled by PKA Ltd. The eight pension funds benefit from having a joint administration company, cost reduction and increased efficiency being among the obvious advantages. Each pension fund has made an administration contract with PKA Ltd.

PKA+ is owned by the eight pension funds.

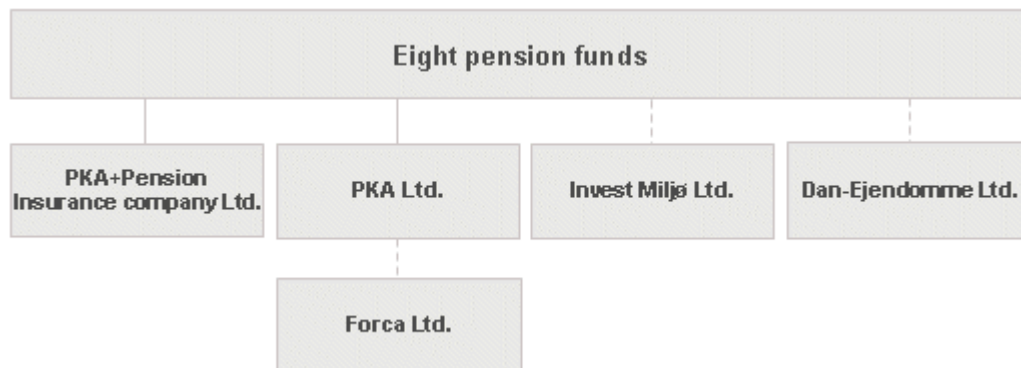
Related companies are Forca Ltd., Invest Environment Ltd. and Dan-Estate Ltd.

Chairman of the board:

Bent Hansen, President, Central Denmark Region

CEO:

Peter Damgaard Jensen





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Owned and related companies

PKA+Pension Ltd.

PKA+ Pension is a pension and life insurance company, which primarily offers individual, voluntary pension schemes to members of the PKA pension funds, as well as to the general public.

PKA+Pension is owned by the eight pension funds.

Forca Ltd.

Forca has been established by PKA, Pædagogernes Pensionskasse (the Pension Fund for Early Childhood Teachers) and Lærernes Pension (the Pension Fund for Teachers) as a joint service company for labour market pensions. Forca supplies services within such areas as members' services, actuarial services, finance services, IT development and IT service.

The aim of Forca is to supply high quality services while at the same time minimising costs.

The company is jointly owned by PKA, Pædagogernes Pensionskasse og Lærernes Pension, with each owning one third.

Invest Environment Ltd. (Danish: Invest Miljø A/S)

The objective of the company is to contribute to an environmental change in a sound and businesslike way. The company invests capital and know-how in large and small companies, and in projects within the environmental sector which are at an early stage of development. Invest Miljø A/S' investments are primarily aimed at Danish companies. However, Invest Miljø A/S will also to a minor extent invest outside Denmark.

The eight pension funds own 50% of the share capital in Invest Miljø A/S.

Dan-Estate Ltd. (Danish: Dan-Ejendomme a/s)

Dan-Ejendomme provides administrative and advisory services to the construction and operation of real estate, including facility management. Dan-Estate also manages the residential property leases of pension funds within and outside the PKA Group and is Denmark's largest real estate administration.

Dan-Ejendomme is a company listed on the Copenhagen Stock Exchange. The eight pension funds in the PKA Group hold the majority of shares.



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The eight pension funds

The members of the eight pension funds managed by PKA Ltd. are predominantly female (approximately 90 per cent of the members). A member of a pension fund qualifies for membership in accordance with the collective agreement related to his or her job. All pensions are defined contribution schemes. The benefits are retirement pensions, spouse pensions, child pensions, disablement pensions, lump sum retirement pensions and group life insurance benefits.

	Members	Assets (bill. DKK)
The Office Staff Pension Fund Pensionskassen for Kontorpersonale	19.701	9.7
The Danish Diet and Nutrition Officers' Pension Fund Pensionskassen for Kost- og Ernæringsfaglige	13.311	4.8
The Medical Laboratory Technologists' Pension Fund Pensionskassen for Bioanalytikere	9.502	9.4
The Medical Secretaries' Pension Fund Pensionskassen for Lægesekretærer	16.324	9.4
The Midwives' Pension Fund Pensionskassen for Jordemødre	2.129	1.4
The Occupational Therapists' and Physiotherapists' Pension Fund Pensionskassen for Ergoterapeuter og Fysioterapeuter	15.932	11.3
The Social Workers' and Social Pedagogues' Pension Fund Pensionskassen for Socialrådgivere og Socialpædagoger	59.168	15.4
The State Registered Nurses' Pension Fund Pensionskassen for Sygeplejersker	77.258	53.0

(All figures at the end of 2006)



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Board and management

The management is common to all eight pension funds. Each pension fund is headed by a board. The board consists of representatives from both the employers' organisation and the employees' organisation and members elected at the annual general meeting. Employee representatives constitute the majority of the board. The board decides the bonus allocation and degree of services to the members, as well as investment policies for the individual fund.

Members are able to influence the pension fund's activities by participating in the annual general meeting and through election of member representatives on the Board. In all eight pension funds managed by PKA Ltd. the annual general meeting consists of delegates elected by and among members. However, any member has the right to attend the annual general meeting and take the floor.



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Investments

As with other aspects of the administration, the pension fund's investments are managed by PKA, which means that PKA makes investments on behalf of the pension fund. Professionalism and financial consideration are key words in these investments.

The overall objective of the investments is to create a basis for the best possible pensions for the members. The assets are invested so that the pension fund will achieve a high long-term return, whilst the investments are adapted to the risk the pension fund can and, not least, is willing to undertake.

The greater the risk attached to an asset, the greater the expected return. The pension fund's investments are made up with this in mind, so that there is a sensible correlation between the return and the risk. Diversification and risk management are thus an integral part of the pension fund's investment philosophy.

The pension fund's assets are spread among many different asset classes, which are in turn distributed among various types, countries and lines of business. This ensures that the pension fund's various asset groups do not experience loss and profit at the same time, as there will be profits that compensate for possible losses. By spreading the investments on many assets, a certain stability of return is ensured and the risk of very large losses is reduced.



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Investment Managers

PKA's investment office manages the investments in Danish and European bonds, Danish stocks and real estate. A part of investments is outsourced to financial institutions, primarily abroad. This is true for foreign stocks, corporate bonds, bonds in emerging markets (new markets), unlisted stock investments, real estate and forest. All these areas are characterized by requiring considerable resources in order to achieve the best possible knowledge of the market, which is necessary in order to create the best possible return.

The external investment managers are:

Foreign stocks

USA – QMA, State Street, Goldman Sachs and INTECH

Europe – BlackRock and QMA

UK – State Street and Goldman Sachs

Emerging markets – Citigroup, Legg Mason and DCF Fund Baltic States

Pacific excl. Japan – Axa Rosenberg

Japan – State Street, QMA and Taiyo

Foreign unlisted stocks

Danish PEP

Goldman Sachs

Pantheon

Partners Group

Triton

Cinven

Arsenal

Care Capital

Amber

Danish unlisted stocks

Axcel

Bank Invest

Odin

LD

Foreign real estate and forest

Real estate - JPMorgan and European Property Investors

Forest - Hancock, Campbell, RMK Timberland Group and Global Forest Partners

Corporate bonds with low credit rating

Global corporate bonds – SEB, Nordea, T. Rowe Price and Danske Institutional Sicav

Foreign bonds

Emerging market bonds – PIMCO and Danske Invest

The investment department in PKA consists of 16 people, working within three areas, namely bonds, stocks & strategy and real estate.



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Ethical guidelines for the investments

The pension fund has established ethical guidelines which apply to the investments. The guidelines must be an overall reflection of the interests and attitudes that can generally be accepted by the members. At the same time, these ethical guidelines must be encompassed within the legislative framework that has been established concerning the pension fund's investments. They must also be practicable in the daily management of investments.

- The pension fund will not invest in companies that violate the UN's conventions on human rights and labour rights, the environment and corruption. The principles in the UN's Global Compact are to be used as a benchmark.
- The pension fund will not invest in companies that manufacture weapons. Subcontractors are not included in this. Similarly it is the companies' core activities that are the centre of focus.
- The pension fund will work actively to make investments which take both financial and ethical considerations into account.
- The pension fund will carry out regular screenings of the investment portfolio and the board will receive regular up-to-date information on the outcome.

The pension fund has applied the UN investment guidelines; "The Principles for Responsible Investments" (UN/PRI), which are aimed at bigger institutional investors.

UN/PRI

1. We will incorporate ESG¹ issues into investment analysis and decision-making processes.
2. We will be active owners and incorporate ESG issues into our ownership policies and practices.
3. We will seek appropriate disclosure on ESG issues by the entities in which we invest.
4. We will promote acceptance and implementation of the Principles within the investment industry.
5. We will work together to enhance our effectiveness in implementing the Principles.
6. We will each report on our activities and progress towards implementing the Principles.

1) Environmental, Social, Governance



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Global Compact

In the year 2000, the UN introduced a set of principles specifically aimed at companies. The principles are based on the Global Declaration on Human Rights, The International Labour Organisation's (ILO) declaration on fundamental employee rights and the Rio declaration on the environment and development. Based on these conventions, the UN has drawn up 10 key principles, which are together known as "The Global Compact".

Human Rights

Principle 1: The support and respect of the protection of international human rights;

Principle 2: The refusal to participate or condone human rights abuses.

Labour

Principle 3: The support of freedom of association and the recognition of the right to collective bargaining

Principle 4: The abolition of compulsory labour;

Principle 5: The abolition of child labour;

Principle 6: The elimination of discrimination in employment and occupation.

Environment

Principle 7: The implementation of a precautionary and effective programme for environmental issues;

Principle 8: Initiatives that demonstrate environmental responsibility;

Principle 9: The promotion of the diffusion of environmentally friendly technologies.

Anti-corruption

Principle 10: The promotion and adoption of initiatives to counter all forms of corruption, including extortion and bribery.



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Ban on weapons

The pension fund will not invest in companies that manufacture weapons. It is however essential to define a limit in relation to subcontractors. The process of excluding such companies would be extensive and, in many cases, appear to be incidental. For this reason, subcontractors are not included in the ban on weapons in the ethical guidelines. It should be noted that there may be borderline cases where, for example, a company only manufactures components that can be characterised as essential in the production of the final weapon. It would be natural to exclude such a company.

When assessing weapon manufacturers, there is a further important criterion to be taken into consideration. This means that investments can be made in companies where only a minor part of the turnover can be related to weapon production. There will be borderline cases here too and regular assessments of the situation will be made.



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Ban on tobacco

The pension funds, that is The Danish Diet and Nutrition Officers' Pension Fund, The Medical Laboratory Technologists' Pension Fund, The Midwives' Pension Fund, The Occupational Therapists' and Physiotherapists' Pension Fund, The Social Workers' and Social Pedagogues' Pension Fund, and The State Registered Nurses' Pension Fund, will not invest in companies that produce tobacco products.

It is however essential to define a limit in relation to subcontractors. The process of excluding such companies would be extensive and, in many cases, appear to be incidental. For this reason, subcontractors are not included in the ban on tobacco in the ethical guidelines.



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Positive selection

There is often focus on how the ethical guidelines are used in relation to selecting what not to invest in. However, the pension fund has a constant wish to find investment opportunities where there is cohesion between the financial and ethical concerns and where certain investments can therefore be selected. This applies to the investments in Invest Miljø, Øko-Invest and Bank Invest New Energy Solutions.

In the view of the pension fund, there is an obvious link between positive selection of investments and the 10 principles in Global Compact. Investments within the environmental sector, as mentioned previously, will thereby constitute a positive contribution to environmental challenges and responsibilities in addition to the development and spread of environmentally friendly kinds of technology.



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Screening and reporting

The pension fund collaborates with the British organisation, EIRIS. The purpose is to analyse the company's activities and thereby enable the exclusion of investments in companies that act in contravention of the pension fund's ethical guidelines. If, as a result of such screenings, PKA suspects that a company does not comply with the pension fund's ethical guidelines, this company will be put on an observation list with a view to a closer analysis of the company. If the conclusion is that the company's activities are in contravention of the ethical guidelines, the company will be transferred to a negative list of companies that cannot be invested in.

The board will be informed regularly concerning the relevant companies that have been excluded from the investment universe and the reasons for their exclusion. The pension fund delegates will be informed too about such principal decisions.

It will not be possible to achieve the same degree of certainty that the ethical guidelines are being complied with, when investing indirectly in funds. However, PKA demands that the ethical guidelines are incorporated in the individual funds in the best possible way. If, by way of a fund, the PKA pension fund becomes co-owner of a company that acts in contravention of the ethical guidelines, and it is decided to sell the entire investment in the fund, the fund should work to ensure that this takes place in a sensible manner.



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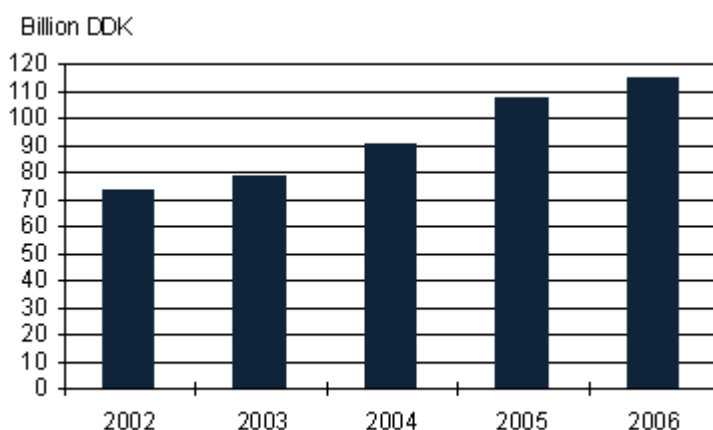
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Forside / This is PKA / Investments / Asset allocation

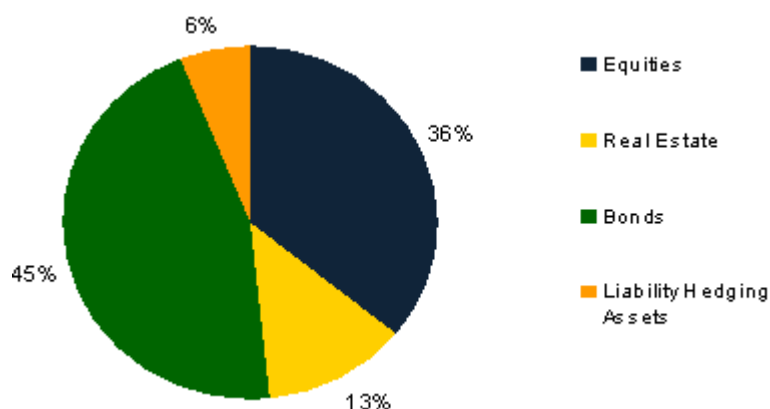
Asset allocation

PKA A/S manages investments on behalf of the individual pension fund based on the investment policy stipulated by the board of each pension fund. Assets under management amount to approximately DKK 114 billion. (€15,3 bill.)

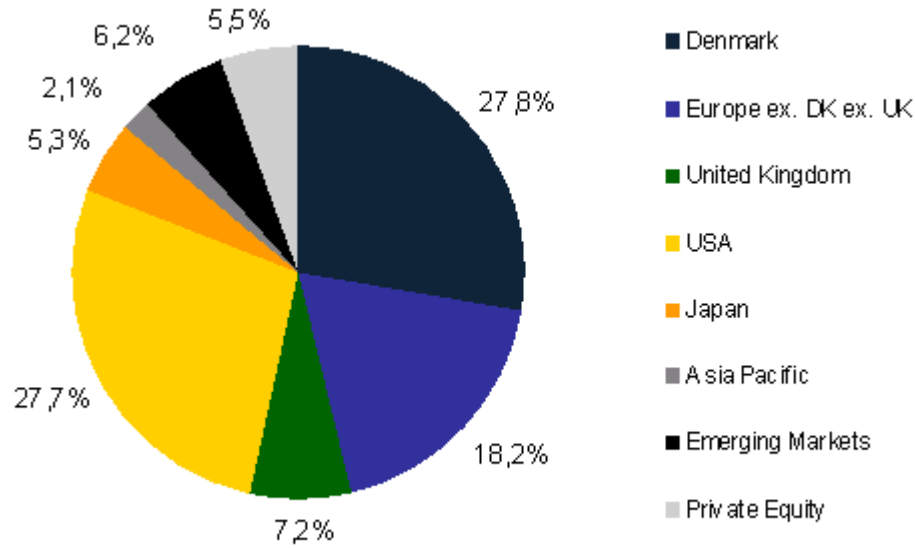
Total assets of the eight pension funds in billion DKK, market value



Asset allocation end of 2006



Equities end of 2006



See detailed information on the asset location (in Danish).

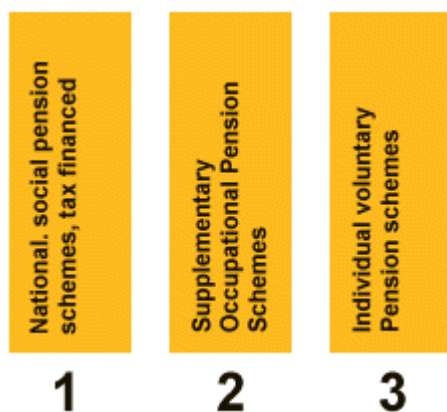


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Labour Market Pensions in Denmark



In Denmark, labour market pensions - the second pillar in a three-pillar system - are normally established either with life insurance companies or through pension funds. There are two types of pension funds: Company Pension Funds and Occupational Pension Funds. The latter are the predominant type of pension funds in Denmark.

Some characteristics of Occupational Pension Funds in PKA:

- Occupational pension funds are established as part of collective agreements between employers and employees.
- Contributions are fixed in these agreements as a certain percentage of income. PKA fund contributions range from 12 to 18%. A typical contribution for a full time worker within the scheme would be a DKK 2,500 a month (€337).
- Members are employed by many different employers - in PKA pension funds predominantly the County, or local authorities or the State.
- Members have the same (or a very similar) education and are employed in the same sector. As a result, an employee changing his or her job is normally allowed to remain a member of the same pension fund.
- Since pension benefits are not income-related but determined by contribution, they can be transferred when an employee changes jobs. The new employer simply pays the agreed contribution to the pension fund based on the new salary.
- As with most occupational systems in Denmark, PKA pension funds are hybrids between DB and DC-systems. Pensions are thus guaranteed benefits at the level obtained on the basis of the contribution paid. The pension schemes are fully funded.
- PKA is therefore similar to an insurance company and is subject to EU life directives and national insurance legislation. However, it differs from an insurance company because it is owned by members rather than shareholders.

- The various occupational pension funds do not compete for members because membership is mandatory and determined according to education and employment. As a result, co-operation is possible among several occupational pension funds. PKA is an example of this. The actual administration fee is between 2% and 3% of the contributions paid.
-